FOREIGN AGRICULTURE

June 3, 1974

Polish dairy herd.

EC Membership Spurs Danes' Farm Exports

World Food Price Rise Slows

Foreign Agricultural Service
U.S. DEPARTMENT OF AGRICULTURE

FOREIGN AGRICULTURE
VOL. XII • No. 22 • June 3, 1974

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This week's cover:

In Poland, Holstein-type dairy cows graze the pastures of a State farm in the Olsztyn Voivodship. Poland is traditionally top U.S. market in Eastern Europe. See article beginning on page 6.

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Use of funds for printing *Foreign Agriculture* has been approved by the Director of the Bureau of the Budget (May 1, 1969). Yearly subscription rate: $20.00 domestic, $25.00 foreign; single copies 45 cents. Order from Superintendent of Documents, Government Printing Office, Washington, D.C. 20402. Contents of this magazine may be reprinted freely. Use of commercial and trade names does not imply approval or constitute endorsement by USDA or Foreign Agricultural Service.

EC Membership Was Rewarding To Denmark in 1973

By FRED W. TRAEGER
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DENMARK FOUND its year-old membership in the European Community economically rewarding to agricultural export trade as well as stimulating to the overall Danish economy.

After an anxious decade of waiting for a suitable opportunity to accompany the United Kingdom in joining the six original members of the Community, Denmark—along with the United Kingdom and Ireland—acceded to EC membership on January 1, 1973.

One month later, Denmark enthusiastically adopted the EC Common Agricultural Policy (CAP).

Because of its close market ties with the United Kingdom—particularly in agriculture—Denmark had considered entry into the Community without the United Kingdom to be impractical.

The first year of membership brought Danish agriculture monetary returns that more than justified the optimism at the time of entry. The double attractions of Community access and Community subsidies, along with strong foreign and domestic demand, raised farm prices and income sharply. These developments in turn encouraged farm investments and slowed the farm population decline.

The stimulus of EC membership, coupled with strong demand for agricultural products, played a major role in the substantial expansion of Denmark's economy in 1973. While the overall economy grew by 17 percent at current prices, agricultural income rose 40 percent, and exchange earnings from agriculture, including EC subsidies, increased nearly 45 percent.

The value of total agricultural imports was up 35 percent in 1973, partly reflecting a 60 percent increase in the value of U.S. agricultural exports to Denmark.

But the Danish economy in 1973 continued to suffer from inflation partly due to expansion. External factors and increased domestic inflation raised Danish prices sharply, as in many countries of Western Europe. The Consumer Price Index increased by 12.6 percent in 1973 to 131 (1970=100). Gross national product (GNP), which increased by 18 percent at current prices, rose 5.5 percent in real terms, compared with 4.5 percent in 1972. At 1970 prices, the 1973 GNP was equivalent to $21.8 billion in total and $4,321 on a per capita basis.

Domestic consumer demand increased by about 10 percent, and private consumption in real terms increased by 4.5 percent, compared with 3 percent in 1972. The rate of unemployment was less than 2 percent. Demand for workers was so strong that wages and salaries rose by a robust 18 percent.

The growth in domestic demand occurred despite a rise of more than 20 percent in personal taxation, higher interest rates, and consumer prices that were 12.6 percent higher.

Investments, particularly those related to EC membership, gained by an estimated 15 percent at constant prices. Investments in agriculture jumped by a strong 50 percent.

Contrary to the experience of 1972, when the Danish balance of payments was in near equilibrium for the first time in a decade, the current account fell into a deficit estimated at $483 million in 1973. The deficit was, however, well cushioned by exchange reserves which, buoyed by foreign borrowings, rose 45 percent to $1.1 billion in 1973.

Danish agriculture was the main contributor to higher export earnings. While farm exports rose by nearly 45 percent to $2.4 billion (including $257,000 in FEOGA export subsidies), agriculture increased its share of the export total to nearly 40 percent, compared with one-third in 1972.

The outlook for 1974 is not quite as bright. Although the Danish economy is expected to remain relatively healthy in many respects this year, the world energy situation and the resulting depressive effects on the economies of Europe

are expected to take the bloom off the high level of economic activity that prevailed in 1973.

Dependent upon imports for nearly all its energy requirements—90 percent of which are petroleum-based—Denmark is among the hardest-hit by tight energy supplies and higher energy prices. Some officials believe these factors will hold the real growth rate in Denmark to zero in 1974, but the more optimistic predict a 1.5-2.5 percent expansion in Denmark's GNP.

At the same time, inflation is expected to jump from the 12.6 percent 1973 rate to 15 percent or more, unless strong anti-inflationary measures are taken. The higher prices paid for energy are expected to more than double the 1973 balance-of-payments deficit to about $1 billion.

The optimistic outlook Danish farmers had upon Denmark's entrance into the European Community at the start of 1973 hence has not been repeated in 1974. Growers are uncertain as to how much the economic situation in Western Europe will affect consumption of agricultural products and how much the higher petroleum and raw material input costs will affect production costs.

In contrast to expectations, Danish farmers did not respond quickly to the improved marketing conditions of 1973. Production, which increased only about 1 percent in volume in 1973, is expected to show little additional gain in 1974, despite 1973 structural investments. Some expansion is foreseen for output of beef, dairy products, poultry meat, rapeseed, and sugar, but the dominant pork sector, along with egg production, is expected to continue to be sluggish.

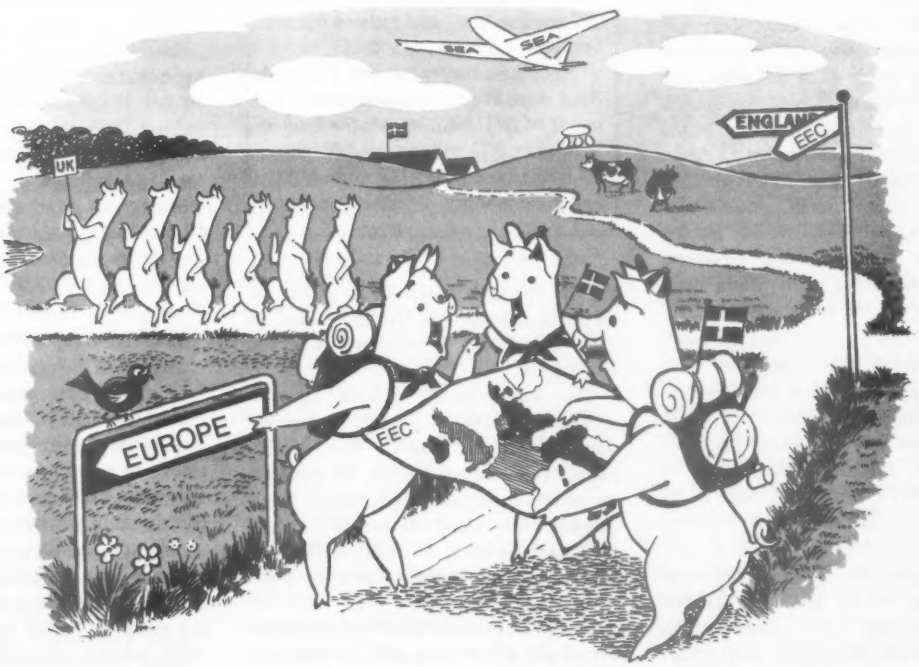
The trend in 1973 of increasing sales to EC countries at the expense of third markets is expected to continue in 1974. The adverse economic outlook in the United Kingdom, which took 36 percent of Denmark's agricultural exports in 1973, will make Danish exporters more aggressive in finding outlets in other EC countries.

MUCH EFFORT will be directed at increasing Denmark's market share in West Germany, where sales in 1973 were lower than anticipated. There, competition from the Netherlands was strong on such important items as dairy products and poultry meat. Also, West German importers find Danish hogs too small, which has resulted in disappointing exports of fresh pork to that country, recently.

The outlook for sales of U.S. agricultural products to Denmark is not particularly encouraging. Soybean imports from the United States are expected to reach only the former level of about 500,000 metric tons in 1974, reflecting declines in demand by the hog sector. Fuel shortages are not now expected to reduce total crushing capacity to any substantial degree, but it seems clear that higher fuel costs will affect profit margins.

Also, higher world grain prices suggest that the United States will be a less important supplier to Denmark in 1974. With EC export levies having practically stopped exports by the Community, the Danish grain trade is now looking to the Community for increased grain supplies. Nevertheless, Denmark's 1974 demand for imported grain should be somewhat larger than in 1973, due to a 400,000-metric ton crop short-fall in 1973.

Tobacco imports in 1974 could be off substantially, due to large imports in 1973 and a heavy buildup in stocks. On the other hand, importers might maintain maximum stock levels in the face of prospective tariff increases during Denmark's introductory period, which lasts until 1978. The long-term outlook for U.S. tobacco is not good, as higher tariffs and EC preferences are likely to reduce the amount of U.S. tobacco in



—Courtesy Danish Bacon Factories Export Association

Danish cigarette production.

Nor is the future bright in the Danish market for U.S. fruits and vegetables—with certain exceptions. Because of the increased tariff rates and the preferences that will apply to other Community and associated countries under EC membership, competition for U.S. fruit and vegetable exporters can only increase.

Many items, such as apples, pears, and other fresh produce, will find markets in Denmark only during periods of short supply. The market for U.S. almonds and walnuts, however, can be expected to grow, and, if satisfactory EC entry can be assured, citrus fruit has potential growth.

Also, U.S. raisins and prunes are expected to retain their dominant positions in the Danish market. Reconstituted citrus juice continues to assume growing importance, but Brazil and Israel have become the major suppliers of concentrated citrus juices.

Denmark is not yet completely integrated into the Community. Price integration into the CAP was largely complete by the end of 1973, whereas harmonization of tariffs and veterinary regulations was still in the first stage of transition. Following the first price adjustments in the summer of 1973, Danish price levels for agricultural products were only about 1 percent below price levels for the six original EC members.

EC intervention prices for Danish grain of the 1973-74 crop year are about 6 percent below the intervention prices for the six original members. The compensatory amounts paid for Danish wheat sold the six countries is about $1.70 per bushel; barley, about 97 cents, and oats, about 62 cents. Prices of corn and rye are already at EC price levels. Due to existing high world market prices, these compensatory payments have been suspended, thus lifting Danish prices to the EC price levels.

Danish prices of pork, poultry meat, and eggs already have completed their transitions to EC price levels. The accession compensatory amounts on these products were reduced to zero for trade with the six original members as of August 1, 1973, for pork, and as of June 1, 1973, for poultry meat and eggs.

The compensatory amounts on these products for trade with the United Kingdom during 1973 were much smaller than anticipated, due to the high world market prices of grains, which reduced the compensatory amounts applicable to these grain-derived products.

Denmark became a fully integrated member for beef and veal on application to the CAP on February 1, 1973. Consequently, no compensatory payments have been required in this sector.

The intervention price of Danish butter at the time of Denmark's entry into the EC was set about 10 percent below the EC price, whereas the intervention price for skim milk powder was fixed at the EC level. Due to a reduction in the EC-6 intervention price of butter for the 1973-74 marketing year, the intervention price of Danish butter in 1973-74 is only 3 percent below the EC-6 price.

The compensatory amounts on sales of Danish cheese to the EC-6 were reduced to zero in May for the 1973-74 marketing year. However, in contrast to other agricultural products, small compensatory amounts are still calculated and deducted from EC restitutions for exports of Danish cheese to third countries.

Denmark became a full-fledged member of the CAP for sugar on February 1, 1973, with a production quota of 290,000 metric tons under a basic quota, and 101,500 metric tons under a special additional quota.

As for seeds—an important source of revenue in Denmark—Denmark has employed Community pricing since the beginning of the current crop year on July 1, 1973. Previously, Denmark received only 90 percent of the EC support payments for seeds.

Denmark was fully integrated in the flax and hemp CAP at the start of the 1973-74 crop year, and now receives the full support payment.

For oilseeds, Denmark is still in the transition period. Danish intervention prices for rapeseed—the major oilseed produced—are 4-10 percent below those of the EC-6, and the compensatory amount for EC-6 Danish trade is about $70 per metric ton for the 1973-74 marketing year.

In the fruit and vegetable sector, Danish prices prior to EC membership were above those in the EC-6. Therefore, Danish prices are being adjusted downward by gradually reducing compensatory amounts as well as the high Danish tariffs for most products traded with the EC-6.

Denmark grossed about $396 million during 1973 from the FEOGA fund. The big winner was the dairy sector, which received about $127 million. The pork sector also received a heavy subsidy from the fund, grossing about $94 million.

In addition to its support of Danish agricultural exports, FEOGA also subsidized the domestic market with $58 million. This subsidy was shared to the extent of $4.3 million by the grain sector, $44 million by the dairy sector (feeding of skim milk and powder), $2.6 million by the sugar industry, $6.5 million as a producer subsidy for seed production, $710,000 to the oilseed industry, and $6,000 in producer subsidies for flax and hemp.

Also, FEOGA paid about $69 million for intervention purchases of 32,000 metric tons of butter, and 660 metric tons of skim milk powder. Intervention stocks of these products stood at 9,770 metric tons of butter and 80 metric tons of skim milk powder at the end of 1973.

EC intervention in other commodities did not take place during 1973. The FEOGA fund had a net loss of sales of the stocks of $36.4 million in calendar 1973, whereas Denmark paid only $1.1 million for butter intervention.

Danes Replace French As Top FEOGA Beneficiary

Denmark in 1973 took home the largest returns under the CAP of any of the EC members.

Between February and November 1973, Denmark contributed 38 million EC units of account (u.a.) to the EC agricultural finance fund (FEOGA), and received 276 million u.a. in return—thus netting 238 million u.a. ($273 million) in subsidies, support, and assistance. Based on par values obtained since the dollar devaluation of February 13, 1973, the EC u.a. is valued at $1.206.

During this same period, France—previously the largest CAP beneficiary—netted 201 million u.a., Holland 171 million u.a., and Ireland 66 million u.a.

Net contributors to the FEOGA fund were West Germany, minus account of 391 million u.a.; the United Kingdom, 172 million u.a.; Belgium, 77 million u.a.; Italy, 37 million u.a.; and Luxembourg, 1 million u.a.

Poultry Meat Surplus Causes EC To Limit Production

A SERIOUS OVERSUPPLY of poultry meat—both from soaring production and reduced demand—has overtaken the European Community, resulting in price chaos, a production cutback, and sharply increased export subsidies. EC broiler stocks were recently estimated at 40,000-50,000 tons above normal levels. Slaughter in late spring 1974 in some member countries continued above last year's—adding daily to the surplus.

To firm prices and control supplies, an agreement to cut back broiler production during the remainder of 1974 has been approved by industry leaders in top EC poultry-producing countries. Producer groups in Denmark, France, Belgium, the Netherlands, West German, and possibly the United Kingdom have agreed to reduce broiler production by a possible collective total of 70,000 metric tons. The potential cutback could reduce EC requirements for grain and soybeans by as much as 200,000 tons in the last half of 1974.

The program to reduce production has evidently been approved by official agencies in some of the participating EC countries. Those are the countries in which product boards or other government and/or quasi-government groups are prepared to enforce regulations upon the poultry industry.

Each participating country accepts responsibility for a specific percentage reduction related to its own particular base. Overall, broiler slaughter will be about 2.5 percent below 1973 EC-9 output. Since it will be concentrated into 6 months or less, EC-9 broiler slaughter in July-December 1974 could fall by as much as 5 percent, compared with the same period last year. If the program is acted on quickly, the cuts in the months immediately ahead will be much greater than the apparent annual rate.

Spokesmen for the poultry industries of the participating countries have evidently agreed to the following cutbacks from a base that differs from country to country, but generally includes: The Netherlands and West Germany, 10 percent of annual production; Denmark, 6 percent of annual production; and Belgium and France, 10 percent of commercial slaughter for export. These percentages are mostly based on an 18-month period.

Interests in the United Kingdom may also participate in the agreement, but in mid-May the extent was not certain.

In Denmark, the reduction is expected to be accomplished through a 3-week slaughter moratorium beginning in July, preceeded, of course, by an appropriate gap in hatching of eggs from incubators. The other participating countries—West Germany, the Netherlands, Belgium, France, with the United Kingdom's role uncertain—may elect different adjustment mechanisms.

In the meantime, the Community hopes to clear the existing surplus through exports. A special subsidy of 6.5 cents per pound for the export of whole broilers has been approved, effective from May 1 until further notice. Exports under the subsidy are expected to reduce storage stocks appreciably, particularly in the Netherlands, Denmark, France, and West Germany. If the usual EC formula for subsidy determination had been followed, poultry export subsidies probably would have been phased out on April 30.

Subsidized broiler sales to the USSR, Egypt, and Chile are expected. The United States does not make continuing sales to those areas. However, if the subsidized EC sales spill over into other areas, U.S. interests could be adversely affected.

The impact will depend on the volume of EC broiler sales to traditional U.S. markets, and particularly whether or not EC-subsidized whole broilers will replace sales of U.S. chicken parts.

During the first 3 months of 1974, sales of U.S. chicken parts accounted for $10.4 million of the $14.2 million total value of U.S. fresh or frozen chicken exports. Exports to the Caribbean, Japan, and Hong Kong accounted for about two-thirds of U.S. exports.

A sale of 2,000 tons of EC broilers to the USSR has already been reported under the increased level of subsidy—resulting in an f.o.b. price believed to be between 35 and 40 cents a pound. Further negotiations are under way with the Soviets as well as with Mid-East countries. In addition, the EC hopes to make additional sales in Japan and Hong Kong, where EC products complete with U.S. poultry.

The excessive EC stock buildup is a result of a 7 percent increase in poultry meat production in 1973 which continued—in some cases even expanded—in early 1974.

Broiler and turkey meat production were up substantially in 1973. Poultry meat prices rose, outpacing production costs during much of the year. Prices were attractive compared with red meats, stimulating greater per capita consumption, except in West Germany where per capita consumption declined slightly and in Belgium where it remained unchanged.

However, in late 1973 demand began to weaken and poultry prices declined. A cost squeeze affected individual countries in varying degrees and generally became more severe in 1974.

In early 1974 beef and pork prices declined, putting still more downward pressure on poultry meat prices. Also, feedgrain prices reached a peak in February 1974.

RAPIDLY CLIMBING feed costs plagued EC poultry producers during 1973, particularly in the new member countries that were adjusting grain prices to EC policy. Feed prices in the EC-6 rose progressively during 1973, reaching a third-quarter peak of about 40 percent above the 1972 level. Ration prices declined by about 10 percent in the fourth quarter. By late 1973 there were expressions of concern about the higher cost of fuel, labor, and energy.

By March and April this year, Dutch broilers for export averaged less than 50 cents per pound, contrasted with peak weekly averages at 70 cents in the summer of 1973. Some lots that were sold at 40 cents were claimed to be 20 percent below cost of production.

The surplus in poultry meat stocks exists at the same time that excessive beef supplies overhang EC markets. Intervention stocks of beef now total about 100,000 tons. Recent EC actions with respect to beef have included bor-

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Prepared by Foreign Commodity Analysis, Dairy and Poultry Division, Foreign Agricultural Service.

Boom in U.S. Farm Trade With Eastern Europe To Hold Strong

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THE VALUE of U.S. farm exports to East Europe more than doubled in 1972-73 and is forecast to jump another 60 percent this year. One-third of the increase in 1972-73 was caused by higher prices. Most of the gain this year may also be due to price rises.

In volume terms, U.S. oilmeal shipments will increase, feedgrain exports will level off, and sales of other major commodities will decline in 1973-74. Poland will be the major U.S. market in the region by far in the current year. During July-March, Poland received 45 percent of direct U.S. exports to the region.

U.S. exports of agricultural commodities to Eastern Europe rose from $200 million in 1971-72 to $500 million in 1972-73, and are forecast at about $800 million in the current fiscal year. But in terms of 1971-72 prices, U.S. exports to the region would be valued at only about $400 million in both 1972-73 and 1973-74.

The $800-million estimate for U.S. farm exports this season assumes that actual April-June 1974 shipments are reasonably close to scheduled deliveries. The estimate includes $520 million worth of U.S. farm products shipped directly during July 1973-March 1974, plus outstanding direct sales of grains, soybeans, soybean meal, and cotton estimated at $200 million.

Average monthly shipments of other commodities during April-June are projected at the July-March rate. For grains and oilseeds, transshipments of U.S. exports through other countries are assumed to equal the percentages of 1972-73. A further assumption is that average unit values for 1973-74 will approximate the averages of July 1973-March 1974.

In recent years, Eastern Europe's agricultural imports from all sources have averaged $6 billion annually—about equal to those of Japan. The northern industrial countries—East Germany, Czechoslovakia, and Poland—account for the bulk of the imports. In years of good harvests, the southern countries—Bulgaria, Hungary, Romania, and Yugoslavia—are net grain exporters. Grain and cotton, primarily from the USSR, are the region's main imports.

Because of Eastern Europe's bilateral trade ties with the Soviet Union and lack of hard currency, the U.S. share of this market has rarely exceeded 5-10 percent. Poland and Yugoslavia have traditionally been the top U.S. customers for farm products, but Romania, East Germany, and Czechoslovakia have become important markets in recent years. Chief among U.S. farm exports to the region are grains, oilseed products—primarily soybean meal—cotton, and hides and skins.

The pattern of U.S. **wheat** exports to Eastern Europe has been erratic. Yugoslavia has taken U.S. wheat in bad crop years, and Romania—usually a net wheat exporter—imported U.S. wheat after the 1970 floods. The northern grain-importing countries rely strongly on Soviet wheat, when available, and U.S. sales to these countries usually are insignificant. In 1972-73, however, the United States shipped 1.2 million metric tons of wheat to the northern countries, primarily because of the short Soviet crop.

This season, the USSR is resuming its role as major supplier. The Soviet Union has contracted to supply 1.4 million tons of wheat to Poland during January-June 1974, including 850,000 tons of milling wheat and 550,000 tons of feed wheat. In 1974, Czechoslovakia will import 800,000 tons of Soviet grain, mostly wheat. This probably also will be delivered before July 1 since 250,000 tons had already been shipped by February 25. In addition, Soviet wheat is moving again in significant quantities to East

U.S. AGRICULTURAL EXPORTS TO EASTERN EUROPE BY COMMODITY[1]
[In million dollars]

Commodity	1967-68	1968-69	1969-70	1970-71	1971-72	1972-73
Wheat and flour	20.8	0.8	0.6	52.7	2.5	94.3
Feedgrains	40.9	37.9	33.7	71.6	53.6	93.7
Grains	61.7	38.7	34.3	124.3	56.1	188.0
Oilseeds	6.1	7.2	21.6	23.3	9.3	40.6
Vegetable oil	7.6	1.5	3.9	43.5	28.3	27.7
Oilmeal	22.9	29.0	51.1	51.5	43.1	132.1
Oilseed products	36.6	37.7	76.6	118.3	80.7	200.4
Cotton	17.8	21.3	13.0	4.8	17.4	20.7
Hides and skins	5.9	9.9	13.7	15.9	28.0	69.4
Other	15.2	11.4	13.5	15.2	21.4	19.2
Total	137.2	119.0	151.1	278.5	203.6	497.7

[1] Adjusted for transshipments.

Cotton yarn is spun and wound onto cones in a modern Hungarian mill, where imports consist largely of Soviet cotton.

Germany in the current season.

Sales of U.S. wheat to the northern countries probably will not exceed 600,000 tons in 1973-74. U.S. exports of wheat to all of Eastern Europe, which amounted to 1.6 million tons in 1972-73, are expected to decline to about a million tons in the current year. Despite this decline, higher prices will raise the value of U.S. wheat exports above last year's level. Poland and Yugoslavia are the main destinations in 1973-74. Yugoslavia has already purchased 150,000 tons of U.S. wheat for 1974-75 delivery.

U.S. exports of **feedgrains** to Eastern Europe have been relatively consistent. East Germany and Poland are the most regular customers, with Romania and Yugoslavia buying U.S. feedgrains when their own harvests are poor. This season —following a 3-year ban on corn exports—Yugoslavia exported 400,000 tons of corn to Western Europe and 200,000 tons to Romania in exchange for Romanian wheat.

U.S. exports of feedgrains to Eastern Europe, which reached 1.6 million tons in 1972-73, are forecast to continue near that level this year. Because of higher prices, however, the value of these exports will be considerably higher. Poland and East Germany will again head the list of buyers.

All of the countries of Eastern Europe—except East Germany, Bulgaria, and Romania—have been regular buyers of U.S. **oilseed meals.** East Germany and Romania are only occasionally direct buyers of U.S. meal, but frequent indirect buyers of meal processed from U.S. soybeans in West Germany.

The growth in U.S. meal exports to the region has been phenomenal—rising from 250,000 tons in 1967-68 to 500,000 in 1969-70 to 900,000 in 1972-73. They should easily exceed a million tons in the current year, with Poland and Yugoslavia the leading importers.

The growing hog and poultry industries of Eastern Europe and the shortage of competing meals have been responsible for this rapid rise. Hog numbers in Poland, the major regional consumer of U.S. meal this year and last, have increased 55 percent in the past 3 years and another 10 percent rise is planned in 1974.

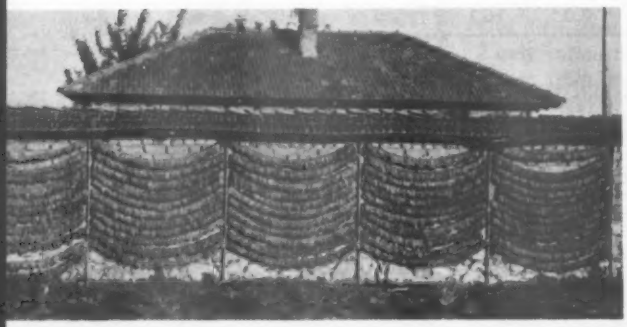
High world prices for oilmeal have prompted most East European countries to seek alternate domestic sources of protein supplements. The area sown to soybeans, alfalfa, and feedpeas is being increased, and slaughterhouse lines are being modified to improve the recovery of tankage, blood meal, and bone meal for use in feeds.

The USSR is the major supplier of **cotton** to Eastern Europe, supplying more than half of the region's imports. Since most of the remainder is supplied under bilateral arrangements with North African and Middle Eastern countries, the U.S. share of the market is small. Nevertheless, Poland and, more recently, Romania have been good markets for U.S. cotton. Yugoslavia has not imported any significant quantity since 1968-69.

The volume of U.S. cotton exports to the region is expected to decline this year, but sharply higher prices will boost export value to roughly double that of last year. Romania will be the principal destination this year, and has already purchased a significant quantity of U.S. cotton for 1974-75 delivery.

Sales of U.S. **hides and skins** to Eastern Europe have grown sharply in the past 5 years, but a high proportion of this growth has been the result of increasing prices. The unit value of cattle hides shipped to the area doubled in 1972-73, while the number of cattle hides exported increased by 25 percent.

In 1973-74, the volume of U.S. cattle hide exports is expected to fall back to 1971-72 levels, but higher prices will dampen the decline in value terms. All countries in the region purchase U.S. hides and skins, with Romania, Czecho-



Oriental tobacco, top left, strung on ropes to dry in Macedonia, is the second largest U.S. import from Eastern Europe. The success of East European grain crops, harvested in East Germany, left, is a critical indicator of import needs. A consignment of feathers and down from Poland is loaded for shipment to the United States, above.

slovakia, and Poland the leading customers in the past 2 years. This year, Romania is top customer.

Although only 5 to 12 percent of U.S. farm exports to Eastern Europe are transshipped through Canada and West Germany, such shipments are highly significant for some countries and for some commodities. For example, direct shipments to East Germany in 1972-73 amounted to only $11 million, but transshipments reached an estimated $44 million. Transshipments added $46 million to the $142-million value of U.S. grain exports to Eastern Europe in 1972-73.

On the other hand, there is a strong possibility that some U.S. exports are transshipped through Eastern Europe. Landlocked Austria, for example, may be the ultimate destination for some U.S. commodities entering Yugoslav ports. There is no way to judge the extent of these transshipments.

Bulgaria, Czechoslovakia, Hungary, Poland, Romania, and Yugoslavia have been eligible for credit under the Commodity Credit Corporation's (CCC) Export Credit Program and have also purchased U.S. agricultural products under the multilateral barter program. These two programs have been vital instruments of trade with the area, accounting for about 45 percent of direct U.S. sales to the region since 1966-67.

In 1970-71, over 60 percent of direct U.S. agricultural exports to Eastern Europe were financed under these programs. All countries in the region, except Bulgaria, have participated in the CCC credit program. Poland, Yugoslavia, and Romania have been the most consistent users of these lines of credit. Although Poland and Czechoslovakia have been the only regular participants in the barter program, Yugoslavia made very large purchases under the program in 1970-71.

Agricultural exports from the countries of Eastern Europe amount to $3-4 billion annually. Bulgaria is the largest exporter; its principal exports are fruits and vegetables—mainly to other Communist countries. Meat and slaughter animals are the major hard currency earners for the East European countries. All but Czechoslovakia and East Germany are net exporters of these commodities, with Hungary, Poland, and Yugoslavia the leading suppliers.

U.S. farm imports from the area rose gradually until 1972-73, when they jumped about 30 percent. In the current fiscal year, U.S. imports are running about 60 percent above last year.

As with exports, higher prices accounted for much of these sharp increases. For example, in July-March 1973-74, higher prices for canned hams accounted for $30 million of the $48 million increase in U.S. total imports from East Europe, when compared with the same months of 1972-73.

Poland is the major supplier of canned hams, principal U.S. import from the region. Oriental tobacco, the second largest U.S. import from Eastern Europe, is supplied almost entirely by Yugoslavia.

DIRECT U.S. CCC CREDIT SALES AND BARTER SHIPMENTS TO EASTERN EUROPE
[In million dollars]

Country	1967-68	1968-69	1969-70	1970-71	1971-72	1972-73
CCC sales:						
Czechoslovakia	6.8	0	0	0	0	0
Poland	35.0	17.0	18.0	22.2	37.5	62.5
Hungary	3.4	1.1	0	0	0	1.0
Romania	0	0	10.9	40.5	12.0	15.4
Yugoslavia	8.7	7.2	.7	38.9	32.1	58.9
Total	53.9	25.3	29.6	101.6	81.6	137.8
Barter shipments:						
Czechoslovakia	0	0	0	16.3	3.1	2.5
Poland	5.6	15.7	2.1	3.8	1.2	5.1
Yugoslavia	1.4	.4	0	37.8	0	.3
Total	7.0	16.1	2.1	57.9	4.3	7.9

U.S. AGRICULTURAL EXPORTS TO EASTERN EUROPE BY COUNTRY[1]
[In million dollars]

Year	Czecho-slovakia	East Germany	Poland	Northern countries	Bulgaria	Hungary	Romania	Yugo-slavia	Southern countries	Total
1967-68	10.8	24.2	52.8	87.8	3.3	5.0	0.5	41.2	50.0	137.8
1968-69	8.8	20.4	55.5	84.7	1.9	6.9	3.6	21.9	34.3	119.0
1969-70	14.0	29.5	53.3	96.8	4.4	12.9	15.0	22.1	54.4	151.2
1970-71	28.7	17.3	51.7	97.7	3.6	19.2	51.1	107.0	180.9	278.6
1971-72	23.7	24.6	63.4	111.7	.7	15.5	27.3	48.6	92.1	203.8
1972-73	55.2	54.8	202.0	312.0	2.0	20.8	70.5	92.4	185.7	497.7

[1] Adjusted for transshipments.

U.S. IMPORTS OF EAST EUROPEAN AGRICULTURAL COMMODITIES
[In million dollars]

Year	Czecho-slovakia	East Germany	Poland	Northern countries	Bulgaria	Hungary	Romania	Yugo-slavia	Southern countries	Total
1967-68	2.4	0	47.0	49.4	3.1	0	1.3	26.3	30.7	80.1
1968-69	1.8	0	48.1	49.9	2.2	0.5	1.4	27.5	31.6	81.5
1969-70	2.6	0.1	53.4	56.1	1.3	1.8	1.0	24.6	28.7	84.5
1970-71	2.3	0.2	51.9	54.4	2.1	4.6	1.4	30.8	38.9	93.3
1971-72	1.5	0.2	51.5	53.2	2.1	5.0	3.3	33.9	44.3	97.5
1972-73	1.0	0.5	76.7	78.2	2.4	4.4	5.8	34.1	46.7	124.9

CCC Credit Role in U.S. Cotton Export Sales Seen Continuing

COTTON HAS BEEN a most important commodity during the entire life of the Commodity Credit Corporation (CCC)—since 1956. In recent years, it has accounted for 20-25 percent of total CCC credit (excluding the USSR).

In relation to total U.S. exports of cotton, CCC financing has also been important. During the past 5 years, about 14 percent of total U.S. exports of cotton have moved under CCC financing arrangements. The largest user has been South Korea (40 percent of total) whose textile industry is growing rapidly. The program has been used extensively in Eastern Europe, the Philippines, Thailand and—in fiscal 1973—in Japan.

The availability of CCC financing has strengthened the competitive position of U.S. cotton in a number of markets; it provided the entree for U.S. cotton in Eastern Europe, and foreign users have come to rely on U.S. grades and staples on a repeat-order basis. Constraints on the program in fiscal 1974 caused problems for a number of regular buyers in connection with their contracts with U.S. exporters.

U.S. exporters, including cotton exporters, like the simplicity of CCC financing. It works this way. The U.S. exporter obtains from CCC a financing approval and registers sales made thereunder. After shipment, the U.S. exporter assigns his account receivable to CCC, accompanied by an irrevocable letter of credit to CCC for the amount to be financed, and CCC thereupon pays the exporter the port value of the commodity shipped.

CCC draws under the letter of credit as payments become due, generally equal annual payments of principal and accrued interest. The first payment normally is due 1 year from the date of the onboard bill of lading. The general policy has been to limit periods for CCC financing to the shortest period possible to do the job within the 3-year limit.

An irrevocable letter of credit from a foreign or U.S. bank is required to assure repayment to CCC. Foreign bank letters of credit must be confirmed at least 10 percent by a U.S. bank. The CCC credit program does not compete with commercial banks—it supplements their financing.

Interest rates are kept in line with going U.S. commercial rates, and normally are above the CCC borrowing rate from the Treasury. Other elements considered in setting rates are the Federal Reserve discount rate and the terms and conditions under which competitors are financing. Current interest rates are 9.5 percent for U.S. bank obligations and 10.5 percent for foreign bank obligations.

During the past year, the CCC credit program for agricultural commodities has been rigidly restrained because of tight supplies. Activity has been limited to working off lines of credit carried over from fiscal 1973; continuing the USSR line that expires in July 1975; and the establishment of new lines for Chile and Pakistan under special circumstances, including emergency food needs; the establishment of a line for Egypt in accordance with a 1971 rescheduling agreement of defaulted payments; and a new line for Peru. None of these lines included cotton. Thus, the only cotton financed in fiscal 1974 has been from lines carried over from fiscal 1973—almost 373,000 bales.

In assessing the need for CCC financing on cotton in fiscal 1975, the first step was to review the U.S. and world outlook. Larger U.S. production is expected because of an 18 percent increase in 1974 acreage. While mill consumption may increase a little to about 7.75 million bales—reflecting some easing in manmade fiber competition—U.S. cotton exports are projected at 5.5 million bales, only slightly below current year expectations. Depending on the level of output, there is a good possibility of some stock-rebuilding in the United States next season.

Agricultural Attachés stationed in 20 principal foreign cotton producing-exporting countries report that those countries, as a group, will increase cotton acreage in 1974 by just over 2 million acres from that harvested in the current season, or an increase of about 5 percent. The increase in cotton production in all foreign producing countries in 1974-75 may be around 1-1.5 million bales. At the same time, cotton consumption will increase in importing countries. Importing countries have been carrying large stocks of raw cotton in recent years.

It has been concluded that there may be a need for some CCC financing to achieve the 5.5-million-bale export estimate in 1974-75. Within this context, we are reviewing possible cotton credit needs are being reviewed, country by country, consistent with our policy of using the CCC Export Credit Sale Program, as needed to maintain and/or expand commercial export markets.

Based on a recent statement by Richard E. Bell, Deputy Assistant Secretary of Agriculture, before a Congressional subcommittee.

Some Facts About CCC Financing

Commodity Credit Corporation financing of export sales of agricultural commodities by U.S. exporters is authorized under Section 5 (f) of the CCC Charter Act and Section 4, P.L. 89-808. It provides export financing of U.S. agricultural commodities from privately owned stocks. Sales are consummated between U.S. exporters and foreign importers in the usual commercial manner. Since CCC finances on an f.o.b. basis, freight costs are negotiated separately between buyer and seller. The financing period is limited by statute to a maximum of 3 years.

The objective of CCC credit is to maintain or increase commercial exports of U.S. agricultural commodities, including cotton. To obtain this objective, there must be minimum displacement of straight cash business. Otherwise, the program would be counterproductive and have a negative impact on the balance of payments.

Since CCC financing is commercial in nature, commodities exported under this program are not subject to limitations and requirements associated with concessional sales. The program is used to meet commercial competition and as a market development and retention tool.

World Food Price Advance Slows; Other Consumer Prices Stronger

RETAIL PRICES of all consumer goods advanced faster than retail food prices in 8 of 10 world capitals, according to data compiled in mid-May by the Foreign Agricultural Service (FAS).

For the first time in more than a year, food price indices in several major economies trailed rising prices of all consumer goods.

The latest average monthly consumer price index (CPI) increase was 1.3 percent, and the overall food price index (FPI) rise averaged only 0.9 percent.

The average yearly increments for the CPI and FPI in the 10 capitals were 12.6 and 14.8 percent, respectively.

In the Netherlands, the FPI declined 0.2 percent.

These indices, however, represent a different set of food items in each country, and simply show price changes relative to a previous period. FAS representatives shop food stores in capital cities every 2 months for selected items that are commonplace on U.S. food shopping lists.

Prices in the latest FAS survey are characterized by generally lower quotations for meat, poultry, eggs, and bread, and higher prices for butter, cheese, fruits, and vegetables.

The lower meat prices are primarily a result of increased supplies. The situation is acute in the European Community, where domestic beef production is up 7-8 percent. In the United Kingdom, continued culling of animals has contributed in part to the supply problem. Producer prices have fallen below EC intervention levels, but intervention purchases have been restrained due to a shortage of freezer space.

The decline in producer prices may not be fully reflected in retail prices. In Belgium, for example, where the Government price-control program ties retail prices to livestock prices, enforcement problems have allowed some lag in retail price adjustments.

In Canada, where beef prices are higher, the current ban on imports of U.S. cattle that have been fed diethylstilbesterol (DES) is cited as a factor in the price advance.

The Italian ban on fresh and chilled beef and veal has had little effect on beef prices, which are controlled, but had the corollary effect of increased pork demand and prices. Australian beef prices slipped, reportedly due to decreased export demand.

Poultry and egg prices also are depressed in several markets, with oversupplies quoted as the cause. Belgian egg prices fell 20 percent in 2 months, and U.S. prices dropped 26 percent during the same period. In countries that bucked the downward trend, inflation and higher feed costs are given as reasons for the broiler and egg price increases.

Reports from European cities indicate that some current broiler prices are below production costs. These prices are expected to turn upward as the inevitable production adjustments are made.

Cheese and butter prices were up in most markets. Higher prices in the Community reflects an 8 percent increase in the EC milk target price since April.

Higher cheese prices in the EC also reflect continued strong domestic and export demand, and a tightening supply situation. Traditionally, supply increases have averaged 6 to 7 percent annually, but 1973 production increased only 1.2 percent.

Butter prices in Brussels were depressed somewhat by French imports. U.K. retail prices of butter and cheese are subsidized. Butter prices in Rome have risen 24 percent since the January survey, primarily due to a modification in price controls during February. All

SURVEY OF RETAIL FOOD PRICES IN SELECTED CITIES, MAY 1, 1974
[In U.S. dollars per pound, converted at current exchange rates]

City	Steak boneless sirloin	Roast boneless chuck	Pork chops	Ham, canned	Bacon, sliced, pkged.	Cheese (Cheddar, Edam, or Gouda)	Butter
Bonn	3.66	2.34	2.03	2.24	2.29	1.54	1.39
Brasilia	1.14	.78	1.99	2.49	3.09	5.17	1.03
Brussels	3.07	1.71	1.79	(1)	1.32	1.28	1.32
Buenos Aires[2]	.69	.38	.43	2.12	1.10	.93	1.06
Canberra	2.45	1.27	1.57	2.45	2.21	1.24	.91
Copenhagen	3.99	1.53	2.07	2.31	2.14	1.46	1.17
London	2.80	1.23	1.23	1.55	1.79	.80	.48
Ottawa	2.07	1.24	1.51	1.87	.99	1.31	.84
Paris	2.38	1.34	1.62	2.22	2.78	1.11	1.32
Rome	2.42	2.10	1.81	(1)	1.50	1.14	1.52
Stockholm[3]	4.19	1.96	2.16	3.71	1.81	(1)	1.18
The Hague	3.30	2.13	1.87	1.73	2.48	1.38	1.24
Tokyo	14.60	5.68	2.27	4.15	2.60	1.35	1.47
Washington, D.C.	2.59	1.23	1.12	1.43	.94	1.46	.79
Median	2.70	1.44	1.80	2.23	1.98	1.31	1.18

City	Broilers, whole	Eggs (doz.)	Tomatoes	Onions, Yellow	Apples	Oranges (doz.)	Bread, white, pkged.
Bonn	0.80	1.12	0.51	0.30	0.28	1.22	0.55
Brasilia	.64	.86	.36	.21	.59	.71	.62
Brussels	.91	1.00	.93	.22	.28	.63	.24
Buenos Aires[2]	.48	.69	.37	.08	.17	.51	.21
Canberra	1.07	1.18	.67	.33	1.25	1.24	.34
Copenhagen	1.11	1.30	.84	.30	.31	2.03	.46
London	.56	.87	.77	.21	.23	1.31	.20
Ottawa	.84	.90	.82	.16	.41	1.03	.27
Paris	.82	1.12	.50	.30	.60	(1)	.49
Rome	(1)	1.15	.36	.22	.20	.45	.32
Stockholm[3]	1.26	1.29	.80	.49	.48	1.05	.68
The Hague	.52	.87	.69	.11	.15	.87	.17
Tokyo	1.30	.79	.54	.36	.40	2.22	.48
Washington, D.C.	.45	.56	.76	.19	.33	.62	.24
Median	.82	.95	.68	.22	.32	1.03	.33

[1] Not available. [2] Government ceiling prices are listed for meat. Many items not readily available in supermarkets. [3] Prices obtained May 13, 1974. Note: Items may vary by quantity and type. Different marketing practices may distort some prices.

grades of butter are once again available in the retail stores.

Fruit and vegetable prices followed traditional seasonal trends in mid-May. Prices in the Northern Hemisphere are expected to turn downward as new-crop vegetables begin arriving at markets. Australia reported a 40 percent increase in tomato prices, due to floods in growing areas. And prices there are expected to move even higher, as are prices of potatoes and onions. Prices of onions are expected to double by August.

The French Government has allocated approximately $5.2 million to greenhouse growers and horticulturists. The aid, which is granted according to area under glass, will offset about 50 percent of the increased fuel costs incurred by the growers.

Bread prices in general were unchanged from those of 2 months earlier. Government controls, subsidies, and the prospect of an improved world grain crop all had a stabilizing effect on bread prices.

In London, some retail food stores apparently are using bread as a loss leader, selling it for several cents below the maximum ceiling price.

A review of prices during the past year and factors affecting them yields insight into what is ahead in 1974. The wheat crop now being harvested and the feedgrain acreage now being planted in the Northern Hemisphere will have a direct impact on food prices in the future. Record harvests in the Southern Hemisphere and the improved Peruvian anchovy fishing add to the optimistic outlook.

In general, many of the factors that led to higher prices last year are less likely to dominate the market this year.

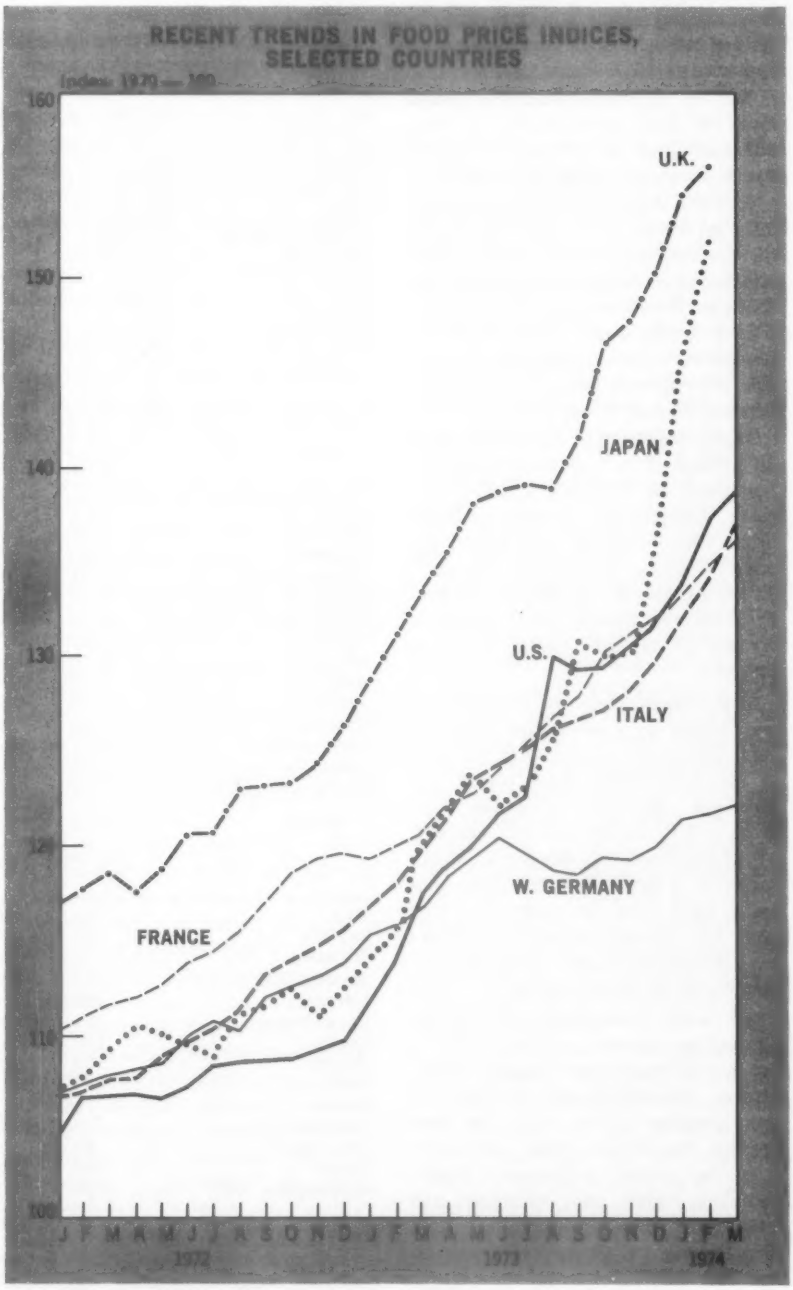
The changes in retail prices reported in FAS surveys during the past year are summarized in the tables presented on these pages. The most recent prices are expressed as a percent of the prices of May 2, 1973. The percentages were computed from prices in the currencies of the countries so as to eliminate exchange rate fluctuations. The 1-year interval has the effect of eliminating seasonal fluctuations.

Retail food price movements have been dramatic during the past year. The reasons for these movements—both up and down—are numerous and complex. Many of the price changes are at best difficult to explain, and agreement among economists on reasons for the changes has not been reached. Without a complete understanding of the complicated world food price mechanism, governments have initiated a variety of programs to deal with the problem.

Government policymakers have faced a dilemma during this period of rapid price rises. On one hand, they have been pressured to keep retail food prices as low as possible, and at the same time have tried to maintain producer prices at levels that draw out the additional production needed to provide adequate supplies and to alleviate shortages.

In the Community, where the Common Agricultural Policy (CAP) provides a method of support prices generally higher than traditional world prices, the problem is primarily one of holding down retail price levels.

The United Kingdom, which ex-



perienced a double price blow—first from price increases attributable to the adjustments to the CAP and secondly from the general worldwide food price inflationary trend—currently has subsidies at the retail level on butter, cheese, and bread. The British Price Commission also instructed retail food companies to take a 10 percent cut in their margin reference levels, bringing them down from 20 to 18 percent.

Denmark instituted a subsidy on dairy products during the year. Italy, Belgium, the United Kingdom, and the Netherlands all have used retail price controls.

Sweden imposed controls on retail meat and dairy prices during the year, and subsidized the affected farmers to ensure adequate supplies in the future.

In Latin America, the two countries included in the FAS retail food price survey—Argentina and Brazil—have established ceiling prices on meat, and shortages have developed in both countries. In Brazil, a new surge of inflation has pushed up retail food prices sharply. The 1974 inflation rate is expected to be between 30 and 45 percent.

Japan temporarily suspended about 80 percent of its outstanding beef import quota on February 1, 1974. This move, designed to increase producer prices, also is affecting retail prices. The price of sirloin, for example, increased 38 percent between the March and May FAS surveys. Chuck roast prices increased 21 percent during the same period.

In the United States, retail food prices were frozen for a period during the past year. The retail controls soon fed back to the uncontrolled farm prices, and shortages developed. Controls were eased in July, except for beef controls, which continued into September. Prices surged to a peak in August, and generally have been declining since that time. Government production controls have been eased to allow additional production in the period ahead.

All factors considered, 1974 probably will be a better year than 1973 as far as world food price inflation is concerned. The inflationary pressures of short supplies will be eased. The main impetus for higher prices will come from the general inflationary trends, including higher fuel, transport, and labor costs. These factors will push food prices higher, but the uptrend should be less than the 1973 rise.

FOOD PRICE INDEX CHANGES IN SELECTED COUNTRIES, 1974

Country	Latest month	Index 1970=100	Percent change from: Previous month	Three months	One year
United States	March	138.5	+ .9	+ 5.2	+18.3
Canada	March	138.8	+1.5	+ 4.8	+18.5
Japan	March	152.4	+ .3	+12.4	+27.0
United Kingdom	February	156.0	+ .9	+ 5.5	+19.0
Denmark	January	139.9	+ .9	+ 1.5	+16.2
Germany	March	122.3	+ .4	+ 1.9	+ 4.8
Italy	March	136.8	+2.1	+ 5.3	+14.4
Belgium	April	120.7	+1.0	+ 3.3	+ 9.3
Netherlands	February	125.7	− .2	+ 1.8	+ 7.6
France	March	136.1	+ .9	+ 3.1	+12.7

CONSUMER PRICE INDEX CHANGES IN SELECTED COUNTRIES, 1974

Country	Latest month	Index 1970=100	Percent change from: Previous month	Three months	One year
United States	March	123.0	+1.0	+3.3	+10.2
Canada	March	124.0	+1.1	+2.8	+10.4
Japan	March	146.8	+ .7	+8.7	+24.0
United Kingdom	February	139.2	+1.8	+4.5	+13.2
Denmark	January	133.6	+1.8	+5.1	+14.4
Germany	March	125.2	+ .3	+1.87	+ 6.9
Italy	March	137.8	+2.6	+6.5	+16.0
Belgium	April	127.8	+1.4	+3.7	+10.0
Netherlands	February	132.0	+ .8	+1.9	+ 8.6
France	March	130.6	+1.2	+4.2	+12.2

RETAIL FOOD PRICES IN SELECTED CITIES, MAY 1, 1974 [1]

City	Steak boneless sirloin	Roast boneless chuck	Pork chops	Ham, canned	Bacon, sliced, pkged.	Cheese (Cheddar, Edam, or Gouda)	Butter
Bonn	[2]	97	120	68	72	106	94
Brasilia	148	145	121	175	104	[2]	176
Brussels	104	95	107	[2]	115	110	95
Buenos Aires [3]	94	85	77	131	108	87	155
Canberra	140	112	128	126	174	84	105
Copenhagen	106	87	96	75	87	106	87
London	112	89	100	122	247	110	87
Ottawa	135	134	100	[2]	113	103	108
Paris	112	129	113	135	97	106	129
Rome	89	100	107	[2]	112	79	150
Stockholm [4]	99	98	98	136	90	[2]	101
The Hague	115	145	96	64	89	111	108
Tokyo	120	96	97	142	77	95	111
Washington, D.C.	145	95	72	136	95	119	103
Median	112	98	100	131	101	106	105

City	Broilers, whole	Eggs (doz.)	Tomatoes	Onions, Yellow	Apples	Oranges (doz.)	Bread, white, pkged.
Bonn	105	100	68	115	76	98	106
Brazilia	167	157	250	57	[2]	188	96
Brussels	96	95	105	72	85	120	116
Buenos Aires	105	125	163	90	67	192	119
Canberra	138	118	107	138	86	92	115
Copenhagen	110	122	200	49	50	150	144
London	105	240	100	61	59	150	138
Ottawa	129	125	239	30	244	111	153
Paris	133	131	99	133	166	[2]	144
Rome	[2]	161	77	68	85	67	93
Stockholm [4]	118	108	113	95	119	123	134
The Hague	88	86	133	33	37	134	109
Tokyo	145	107	115	124	98	79	130
Washington, D.C.	100	81	155	85	100	90	75
Median	110	120	114	79	85	120	118

[1] As a percent of May 2, 1973. [2] Not available. [3] Government ceiling prices are listed for meats. Many items not available in supermarkets. [4] May 13, 1974.

Australia's Riverina Rice Farms Set World Record for High Yields

By FRED M. LEGE III
U.S. Agricultural Attache
Canberra

FIFTY YEARS AGO, seven Australian farmers in the fertile Riverina area of New South Wales sowed 183 irrigated acres with rice seed newly arrived from California.

Six months later, they harvested the remarkable crop—for that day—of 222 tons of paddy.

The Australian rice industry was off and running.

Today, Riverina rice growers obtain harvests of more than 3 tons per acre —the world's highest yields, and about 3 times the average yield of rice-growing countries.

This year, the 1,800 efficiently organized rice farms of New South Wales and Queensland will produce well over 423,000 tons of paddy. About 90 percent of the harvest will be exported in milled form. The Australian market will consume the remaining 10 percent of the rice produced.

No other Australian foodgrain, coarse grain, or oilseed faces such an unusual marketing situation—the export of 90 percent of a total crop. Australian rice is shipped to the United Kingdom, Europe, South Africa, Canada, New Zealand, Territory of Papua-New Guinea, some Pacific islands, Guam, Indonesia, Hong Kong, Malaysia, Singapore, India, Bangladesh, and Chile. Australia ranks ninth among the world's rice-exporting nations. In the 1972-73 crop year, milled exports totaled 150,000 tons.

As a result of universally strong demand for rice, the total Australian rice-growing area has been increased since last year by 20 percent. In New South Wales—the principal rice-growing territory—105,000 acres now are assigned to rice cultivation. In Queensland, 11,500 acres are in rice.

Despite strong world demand and low Australian inventories of rice, a note of warning against overexpansion currently is being sounded. The president of the Rice Growers Association of Australia has advised growers against entertaining expansion plans that are so liberal as to ignore the possibility of overproduction in years to come.

However, the general manager of the New South Wales Rice Marketing Board observes that many factors will govern and control the further growth of the industry as it moves into the second half of this decade. One important factor is population growth. The world's population is now rising by about 70 million persons per year. Of this total, about 50 million will eat rice as their basic food.

"The world will have to be producing an additional 40 million tons of paddy rice per year by 1980," he calculates, adding: "It is then not unreasonable to believe that Australia will be doing something to meet the challenge—a challenge that is, we believe, that the world is not to be allowed to starve."

Greater harvests than may have seemed possible or practical only 2 years ago are now being forecast by ARMB (Australian Rice Marketing Board). However, the level of rice production primarily is limited by the availability of water and by the systems and facilities of water reticulation. While there are no official estimates of future yields, some ARMB members are speaking unofficially of a 500,000-ton-a-year crop within a few years.

ANY EXPANSION OF RICE acreages will necessarily involve proportionate expansions in the secondary and tertiary sectors, including new and larger facilities for milling, handling, storage, and marketing.

Throughout the Australian rice industry, there is a firm belief that any expansion must involve high standards of technical efficiency. Utilization of modern machinery and methods is held to be essential if the Australian industry is to maintain its position in the quality rice markets of the world.

Also, the industry is convinced of the necessity for developing properly trained personnel for employment in all the various stages of production.

Expansion of two separate milling facilities is now underway, and plans are being drawn up for one new mill. The existing mill at Coleambally is being increased to a 21-ton-per-hour capacity, and the Deniliquin mill is being enlarged to handle up to 24 tons per hour. And plans now on the drawing boards call for a completely new mill to replace and provide additional capacity at the 24-year-old mill at Leeton. Japanese design engineers are working with Australian engineers on the proposed new Leeton mill, which is expected to demonstrate Australia's world leadership in rice-milling technology.

DESPITE PLANS for enlarged milling capacity, the existing facilities were not utilized fully in 1973. A shortfall in the anticipated 1973 rice crop at a time when world demand was on the rise necessitated close integration of milling and marketing activities. The industry is keenly aware that the peaks and valleys of ordinary world market demands require considerable flexibility for production and distribution facilities, and consequently some capacity in excess of actual needs must be held in reserve.

Domestic consumption of rice has been growing by approximately 3 percent annually—somewhat faster than the rate of growth of population. Per capita consumption reached the level of 6 pounds in the 1971-72 marketing year.

The rice share of the Australian consumer's food dollar is small, and prices at the current level of 23-33 U.S. cents per pound are not likely to be an important factor in limiting consumption.

Australian consumers are showing a marked preference for long-grain rice. Almost the entire increase in per capita consumption in recent years has been in long-grain varieties. Per capita consumption of short-grain rice has remained steady at about 4.25 pounds for the past 4 years, while consumption of long-grain varieties has nearly tripled—from 0.69 pounds in 1968-69 to 1.9 pounds in 1970-71.

Wholesale prices of first-grade milled rice sold by the Rice Growers Cooperative Mills of New South Wales are about U.S.$381 per ton for shortgrain rice, and U.S.$396 per ton for long-grain. Prices of comparable grades of Queensland Bluebonnet rice are similar. The average return on exported rice ranges between U.S.$180 per ton and U.S.$195, f.o.b.

Three separate but related groups control Australia's rice industry.

- The Rice Growers Association of Australia controls the domestic policies of the industries.
- The Rice Marketing Board controls the receiving and storing of paddy rice from growers.
- The Rice Growers Cooperative mills the paddy and markets milled rice and byproducts on behalf of its grower shareholders. RGC was established in 1951, and has since acquired the milling facilities of the former proprietary millers. It now owns mills at Leeton, Griffith, Deniliquin, Coleambally, Yenda, and Echuca. The Coleambally and Deniliquin mills are the most technically advanced rice mills in the world.

Exported rice consists almost entirely of grain from New South Wales. Most of the Queensland crop is sold on the higher-priced domestic market.

All rice grown commercially in New South Wales is irrigated. Water supplies are controlled by the Water Conservation Irrigation Commission (WCIC), which administers services to the requirements of the Rice Growers Organization. The partnership control thus exercised administered jointly by the growers and the WCIC limits the areas on a property that can be sown to rice, and avoids a rapid drop in soil fertility that could be caused by uncontrolled rice cropping. Growers are not permitted to take two successive crops of rice from the same ground. No more than 90 acres of any property may be sown in rice.

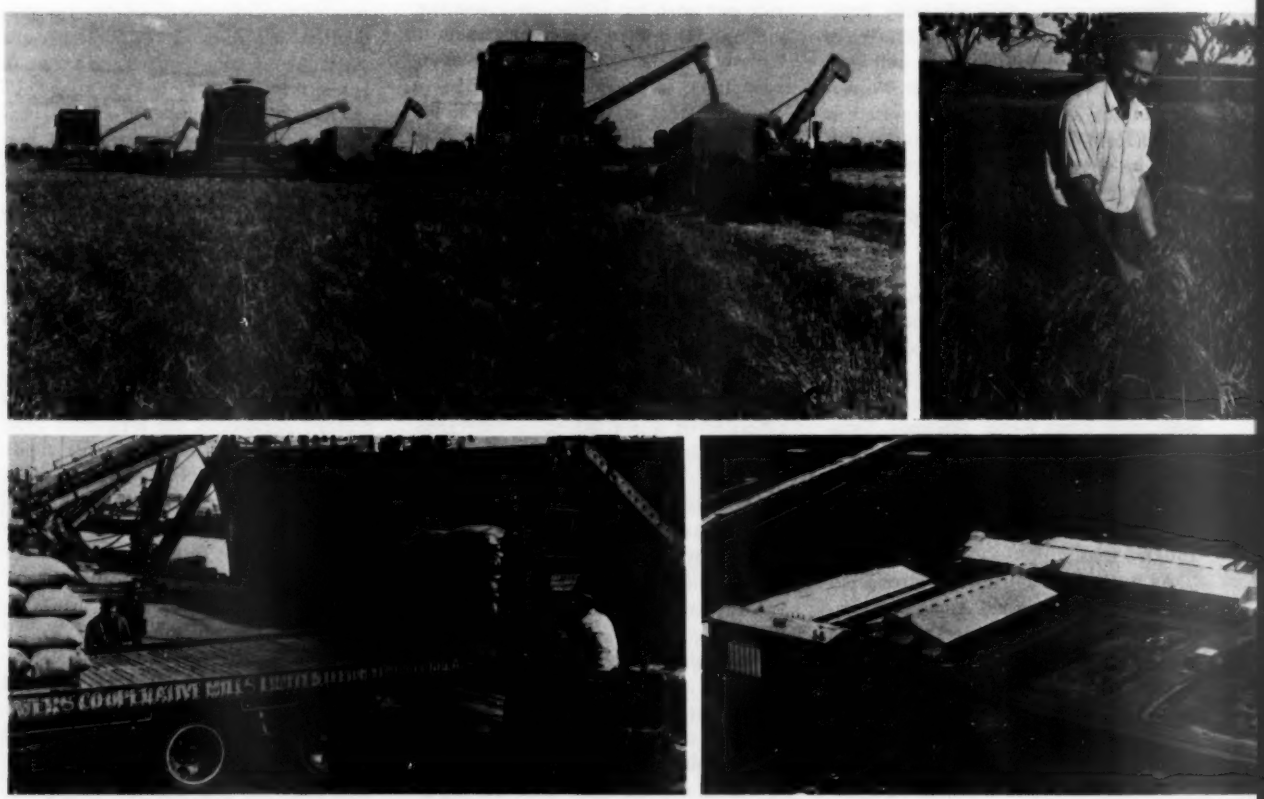
EXISTING PRODUCTION policies obviously work effectively. Fifty years ago, fewer than 100 persons earned their livings in the wide pastoral areas that are today components of the Murrimbidgee ("Big Water") Irrigation Authority (MIA). Today, about 1,800 farms produce about 310,000 tons (1972-73) of high-quality rice in the 450,000-acre MIA area. Soon, however, the Coleambally area of 500,000 acres will be the biggest irrigation project in Australia, supporting about 900 mixed farms and 200 horticultural farms.

About 98 percent of the total Australian rice crop is grown in the fertile Riverina area of New South Wales. Rich soil, sunny climate, and ample water supplies from the Murrimbidgee and Murray River irrigation systems produce near-perfect rice-growing conditions.

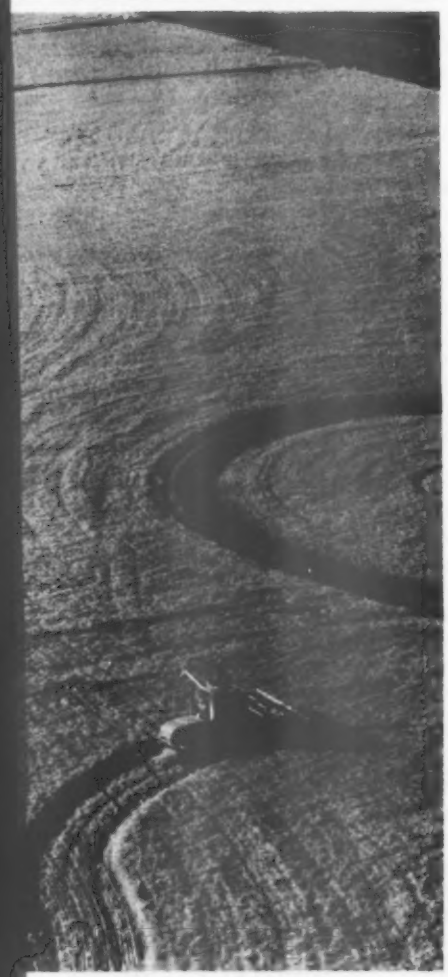
Rice seed is sown in the spring of the year—in November. It is lightly covered with soil, and progressively irrigated until the plants are 6 inches high. The water level is maintained until the plants are ready for harvesting. Then the water is drained off.

Farms are highly mechanized. Every operation from sowing to harvesting is performed by machines. A farmer thus can operate a 600-acre property with a minimum of labor, which is a strong offsetting factor when meeting competition in world markets.

New techniques have been developed



Clockwise from top left: Modern rice harvesters in Australia's fertile Riverina country; farmer at Whitton, New South Wales inspects rice crop; loading sacks of Riverina rice for export on board ship docked at Sidney; rice milling and storage complex at Deniliquin, N.S.W.



Top, main control panel and first-pass whiteners at Deniliquin mill; above, harvesting between bays.

to prevent sun cracking, and special air-conditioned drying plants have been established throughout the rice-growing areas. The individual mills have been adapted to suit the exact local requirements of each district.

The net result of these factors and unique local conditions is high quality, general consistency, and evenness of pack.

New drying machines permit the harvest of extremely moist (up to 23 percent moisture) rice as early as mid-March.

The seeds that sparked the industry's start 50 years ago were obtained by John Brady, a Leeton cannery superintendent, while on a visit to California. After a few years of experimentation, growers found that one variety—Caloro (a short-grain, or Japonica, type)—outshone all others, and was adopted almost exclusively as the standard for Riverina rice fields. From the Caloro variety, the Department of Agriculture bred improved strains that have enabled rice growers to achieve their world record in rice production per acre.

In recent years, a semi-long-grain type, Calrose, and long-grain variety, Kulu, have been added to production.

The holdings on which rice is grown are mixed farms, producing a variety of commodities such as wheat, oats, barley, sorghum, and oilseeds. Cultivated pastures are used for sheep, cattle, and hog production.

Rice is grown rotationally with other crops. But it is, of course, an aquatic plant, requiring its roots to be in soil covered with water. To create this condition—similar to that of a shallow lake—the land is first plowed, scarified, and leveled to eliminate high and low variations. It is then divided by check-banks into a number of plots or bays varying in size and shape according to the fall of the ground. The effect is that of terraced fields.

Check-banks are constructed along a predetermined line by pushing plowed soil into banks about 6 feet wide at base, 1 foot wide at top, and 18 inches high. The check-banks do not interfere with use of the land for other crops in the following year.

Rice is sown by several methods. The increasingly popular method is aerial sowing. Ground sowing is carried out by mechanized equipment. The seeded sod in the bays is flooded by irrigation water.

Research—both agronomic and processing—is carried out on a continuing basis. The Department of Agriculture established a rice laboratory at the Yanco Agricultural Research Station in 1957. A full-time chemist was appointed, and a Rice Investigation and Research Committee was formed. Here, the representatives of mills, growers, and marketing boards meet regularly with officials of the Department of Agriculture and the Commonwealth Scientific and Industrial Research Organization to plan field travel and research projects that promise better techniques, improved strains, and high-quality finished product. Funds established by growers help support this research.

The finished product is transported in hygienic bulk trucks to major processors. The 30,000 tons of rice that are consumed annually in the domestic market are sold under such brand names as Sunwhite and Sunlong. Polyethylene packets are filled on high-speed machines.

Rice intended for export is bagged in a variety of materials—hessian, woven polypropylene, multiwall paper, or calico. The packaging material selected must relate to the mode of transport as well as to the destination climate. Shipments to the United Kingdom and other selected markets are made in bulk containers. Movements from mills to ports are generally by rail, but sometimes by road.

The effective utilization of byproducts is a subject for continuing research and attention. The industry has for years produced various grades of rice flour from broken rice. The rice flour mill at Griffith is now operating at full capacity, and budget provision has been made to double the mill's capacity in order to keep pace with the growing demand for rice flour, and also to maximize the by-product returns from increased production.

Production of enrichment premix is assigned to a special plant also located at Griffith. This plant not only saves the industry about US$75,000 per year, but also it enables the Australian industry to maintain its strong position in the Papua Territory market, where enrichment of rice is a prerequisite.

The industry also is pursuing research into the utilization of rice hulls. Currently, this research involves six different avenues of investigation.

CROPS AND MARKETS

GRAINS, FEEDS, PULSES, AND SEEDS

Rotterdam Grain Prices and Levies

Current offer prices for imported grain at Rotterdam, the Netherlands, compared with a week earlier and a year ago:

Item	May 28	Change from previous week	A year ago
	Dol. per bu.	*Cents per bu.*	*Dol. per bu.*
Wheat:			
Canadian No. 1 CWRS-13.5	4.05	—104	3.84
USSR SKS-14	(1)	(1)	(1)
Australian FAQ[2]	(1)	(1)	(1)
U.S. No. 2 Dark Northern Spring:			
14 percent	5.08	+ 5	3.50
15 percent	(1)	(1)	3.58
U.S. No. 2 Hard Winter:			
12 percent	4.64	— 25	3.42
No. 3 Hard Amber Durum	6.61	+ 11	3.70
Argentine	(1)	(1)	(1)
U.S. No. 2 Soft Red Winter	(1)	(1)	(1)
Feedgrains:			
U.S. No. 3 Yellow corn	3.35	+ 1	2.56
Argentine Plate corn	3.76	+ 12	2.77
U.S. No. 2 sorghum	3.15	+ 11	2.43
Argentine-Granifero sorghum	3.15	+ 13	2.43
U.S. No. 3 Feed barley	(1)	(1)	1.98
Soybeans:			
U.S. No. 2 Yellow	6.35	+ 4	12.25
EC import levies:			
Wheat[3]	[4] .40	+ 19	.95
Corn[5]	[4] .31	+ 07	.50
Sorghum[5]	[4] .66	+ 14	.68

[1] Not quoted. [2] Basis c.i.f. Tilbury, England. [3] Durum has a separate levy. [4] Levies applying in original six EC member countries. Levies in U.K., Denmark, and Ireland are adjusted according to transitional arrangements. [5] Italian levies are 19 cents a bu. lower than those of other EC countries.

NOTE: Price basis 30- to 60-day delivery.

Taiwan To Increase Rice Production

The Republic of China is pushing for increased rice production in 1974. Since 1968, there has been a general sawtooth downward trend in rice production. This year the Government is pushing for a target of 1,853,000 acres in rice, 3.5 percent higher than the 1,790,000 acres planted in 1973. A special committee will help rice farmers and $9.2 million has been earmarked for interest-free loans to rice growers.

In addition to the emphasis on increased rice production, the Joint Commission for Rural Reconstruction has predicted the Republic's agricultural production in 1974 would grow faster than in 1973. The growth rate for farm crops is expected to reach 4.1 percent in 1974, compared with 2.9 percent in 1973. Funds are budgeted to stabilize prices and farm taxes will be lowered to induce more production.

Since sugar prices in the world market are much higher this year than last, the Republic has decided to increase refined sugar production and has set a goal of 850,000 tons for 1974, about 15 percent higher than last year's. In order to achieve these goals, the Government will further improve irrigational facilities and assure adequate fertilizer.

Other major farm production goals for 1974 include substantial increases in hogs, poultry, dairy cattle, and fish.

SUGAR AND TROPICAL PRODUCTS

Ivory Coast Reports 1973 Pineapple Exports Up

The Ivory Coast reports larger exports of fresh pineapple for calendar 1973, when shipments amounted to 42,750 metric tons (47,123 short tons). This is 11 percent above the 1972 total of 38,497 metric tons and almost twice the 1971 total of 21,808 metric tons. Current reports indicate sales are being made at favorable prices and further industry expansion is planned. France was the largest foreign market, followed by West Germany, Italy, Spain, Belgium, and the Netherlands.

Kenya's Pyrethrum Output Down in 1973

Reflecting dry weather conditions, Kenya's 1972-73 (October-September) pyrethrum crop totaled only about 10,500 metric tons (dry flower basis), down 27 percent from the record 1971-72 harvest of 14,413 tons. Dry weather has continued to be a problem during the current 1973-74 season, and production will probably again be at a relatively low level.

Kenya's exports of pyrethrum extract during January-December 1973 amounted to 356 tons valued at US$8.2 million, down sharply from 1972 shipments of 509 tons valued at US$10.6 million. Exports of dried pyrethrum flowers totaled 3,083 tons valued at US$2.1 million, compared with 1972 exports of 2,849 tons valued at US$2.2 million.

Major recipients of the 1973 exports of extract (in tons) were; United States, 113; Italy, 53; United Kingdom, 41; Australia, 27; and the Netherlands, 13. Flower exports (in tons) were mostly to Hong Kong, 545; Malaysia, 460; Japan, 400; Argentina, 360; and Thailand, 223.

Tight World Sugar Supply Continues

World sugar prices rose throughout the month of April and into May 1974. The world bulk sugar price (f.o.b. Caribbean port) increased from 18.75 cents per pound on April 1 to 24.50 on April 22, before falling off to 23.00 at the end of the month. On May 20 it stood at 23.50 cents per pound. The U.S. price started at 17.25 on April 1 and ended at 20.50 at the end of the month. On May 20 it had risen still further to 24.00.

Several factors influenced the increased prices. Brazil announced again in April that it has no sugar left for sale on the market. Japan reportedly agreed to buy 120,000 tons of raw sugar from Australia during the second half of 1974.

Tenders were extended by several Middle East countries, and India reportedly assured Jordan that it will consider requests to meet that country's sugar needs. Beginning March 9, 1974, a strike in Hawaii was called by the International Longshoremen's and Warehousemen's Union, which sought a pay increase, cost-of-living clause, and pension and severance benefits. It was settled on April 16. European beet plantings (including those of the USSR) reportedly increased only 3 percent for the 1974 crop, compared with a year earlier due to cold and dry weather.

Kenya's Tea Exports Hit Record Level in 1973

Kenya's 1973 tea exports totaled a record 51,472 metric tons valued at US$47.5 million, up from 1972 shipments of 47,126 tons valued at US$46.2 million. The major recipients of the 1973 exports (in tons) were: United Kingdom, 26,975; the United States, 7,302; the Netherlands, 5,141; Pakistan, 4,347; and Canada, 4,199.

Exports during 1974 will likely be down, reflecting prospects of a smaller harvest. Because of dry weather, harvesting during the first 2 months of 1974 has totaled only 6,850 tons, off 41 percent from the same 1973 period. The 1973 crop was a record 56,578 tons.

Philippine Coconut Exports Declining

Combined Philippine exports of copra and coconut oil during October 1973-April 1974 dropped to only 436,100 metric tons, oil basis, compared with 627,100 tons for the same 1972-73 period. The 201,000 ton reduction in exports was equal to the oil fraction of 42 million bushels of soybeans, and reflected below-average rainfall in major producing areas. However, rainfall in these areas recovered markedly beginning in June 1973, and this should foster an increased monthly flow of exports in coming months.

Aggregate Philippine exports for calendar 1974 may approximate the 1973 volume of 892,400 tons, oil basis. If current conditions continue on trend, Philippine exports of coconut products will increase substantially in 1975, and perraps exceed the 1.1-million-ton volume exported in calendar 1972.

EC Sets Pineapple Quota

The European Community has announced a reduced tariff rate quota for calendar 1974 for canned pineapple originating in developing countries. The quota is 20,000 metric tons and applies to canned pineapple other than slices, half slices, and spirals. The reduced tariff rate is 12 percent ad valorem for original member countries and reflects an equivalent preferential margin for new members. The regular tariff rate is 24 percent. The EC sugar-added levy is also applicable.

TOBACCO

U.K. Firms Ask To Reduce Cigarette Tobacco Content

U.K. tobacco manufacturers recently informed the Price Commission that they must cut costs if cigarette prices are to be held at present levels. Manufacturers argue that the increased interest expenses and other capital charges arising from the recent duty increase, equal to US$3.36 per pound leaf, necessitate either a cost reduction or a price increase. Currently the total duty on a pound of tobacco valued at US$1.36 is over US$13.00. This brings the total cost of the leaf tobacco to the manufacturer to over US$14.00 per pound.

The United Kingdom, traditionally the leading export market for U.S. leaf, imported 126.8 million pounds of U.S. leaf tobacco, 39 percent of its total leaf imports in 1973.

LIVESTOCK AND MEAT PRODUCTS

Swine Vesicular Disease Continues in United Kingdom

Swine vesicular disease was first reported in the United Kingdom on December 11, 1972. Since that time and through the latest incident on April 24, 1974, 130,614 pigs have been slaughtered as the result of 221 different outbreaks.

DAIRY AND POULTRY

Japan Buys Dried Egg

Japan has bought over $1 million of dried egg from a Mississippi manufacturer, according to an announcement from the Mississippi Agricultural and Industrial Board. This contract is almost double the value of 1973 dried egg trade from the United States to Japan, and three times the 1972 trade value. In 1973 Japan accounted for one-sixth of the foreign market for U.S. dried egg.

EC Extends Export Licenses for Butter

According to the European Community (EC), licenses for butter are now valid for 60 days, compared with the 30-day term for previous licenses. Licenses for nonfat dry milk continue to be valid for a 5-month period. The EC requires licenses for dairy product exports when export subsidies are fixed in advance.

Soviets Buy Dutch Broilers

Press and trade sources report that a trade delegation from the USSR has concluded a contract with a large Dutch exporter for the delivery of 2,000 metric tons of frozen poultry meat, presumably broilers. Negotiations are reportedly still underway with other exporters.

Bigger West German Butter Stocks May Lead to Export Subsidies

West Germany's 1974 butter production is expected to show a modest increase. This, plus the fact that its butter carryover is the second largest in recent history, will probably create storage problems and lead to hgher butter export subsidies. Large subsidized exports of 123,000 metric tons of butter to the USSR, and butter oil to third countries, temporarily relieved a tight storage problem last year. However, the potential increase in stocks this year may well require further action.

EC Takes Action On Butter Exports

European Community export licenses for butter are now valid for 60 days, compared with the 30-day term for previous licenses. Licenses for nonfat dry milk continued to be valid for a 5-month period. The EC requires licenses for dairy

product exports when export subsidies are fixed in advance.

In other action, effective May 3, the EC reduced the export subsidy on butter for destinations other than Canada, the United States—where there are no subsidies—and Puerto Rico. EC subsidies for butter with an 80-85 percent fat content now range between 37-38 cents per pound—about 11 cents per pound lower than previous rates.

EC Moves To Retard Buildup of Dairy Stocks

The European Community (EC) recently passed a new regulation that permits taxation of dairy product stocks. This action was taken to prevent the dairy industry from expanding stocks prior to an anticipated increase in intervention prices. In the past, dairy products eligible for intervention prices were withheld from the market before the changeover from one milk year to the next, in order to benefit from the higher intervention prices of the new dairy year.

FATS, OILS, AND OILSEEDS

Palm Oil Export Growth Rate Lagging

Since October 1, 1973, available data for palm oil exports from the five major producer-exporters—West Malaysia, Sabah, Indonesia, Ivory Coast, and Zaire—totaled 365,300 metric tons, only 13.2 percent above those for the same period during 1972-73.

Export growth so far this season has been less than anticipated, and may reflect lower-than-expected production. The bulk of the increase that has occurred has been from Malaysia, where expanding acreage is expected to double output during the 1973-78 period. At the same time, however, dry weather cut yields in Malaysia and contributed to the decline in export growth.

In calendar 1974 production should expand at an accelerated rate, as a result of a significant increase in Malaysian rainfall. With the bulk of the increase available for export, palm oil exports from the five producer-exporters are expected to exceed 1.4 million metic tons in calendar 1974, compared with 1.2 million tons in 1973 and 1.1 million in 1972.

FRUIT, NUTS, AND VEGETABLES

Frost Damages Turkish Raisins

Turkey reports a short freeze during the first week of April damaged about 25 percent of the Turkish sultana vineyards. Damage was heaviest in the fertile lowlands in Manisa. Following an early field survey, trade representatives indicated a possible 1974 crop of 90,000 metric tons (99,000 short tons). Sultana raisin production totaled 85,000 metric tons (94,000 short tons) in 1973 and 106,000 metric tons (117,000 short tons) in 1972.

Spanish Hop Estimate Revised Upward

The 1973 Spanish hop harvest is estimated at 5.2 million pounds, 13 percent above both the previous estimate and the 1972-73 crop of 4.6 million pounds. Acreage planted to hops amounted to 4,700 acres.

Due to increased production in 1973-74 and accumulating stocks, Spain's imports of hops are expected to amount to less than 700,000 pounds, down 46 percent from 1972-73.

The global hop import quota for calendar 1974 has been set at about U.S.$971,900. Even though the quota has been set, the Government has the discretion not to issue import licenses or to accept license applications for a limited time.

By an order dated December 1973, the Ministry of Agriculture has set the hops production goal for 1976-77 at 5,511,500 pounds. This announcement is in accord with the new ruling that requires the Ministry to determine such production goals 3 years in advance.

Australia Extends Apple Exports Support Scheme

Australia has agreed to extend the 1974 support program to apple exports from the States of Queensland and Western Australia. This program, which is limited to the 1974 season, had previously been available only to Tasmanian fruit. Average f.o.b. prices will be maintained up to the minimum support level with payments up to A$2 per bushel. The program only covers fruit shipped "at risk" (i.e. consignment selling) from the two States to the United Kingdom and other markets.

The main objective of the program is to provide growers the opportunity to take appropriate measures to adjust to the changing market conditions—principally the enlargement of the European Community and its increasing self-sufficiency.

South African Canned Fruit Pack Down

The 1974 South African canned deciduous fruit pack is estimated at 9.2 million cases (basis 24/2½'s), slightly less than that of 1973. Reports indicate a hot and dry winter caused irregular and prolonged blooming. Some frost and hail damage was also reported.

Production by item in millions of cases (1973 in parentheses) is estimated as follows: Peaches, 5.6 (5.3); mixed fruit, 1.4 (1.5); pears, 1.4 (1.5); apricots, 0.5 (0.6); and apples, 0.2 (0.2).

South African exports totaled 9.8 million cases during the 1973 season. Peaches were the largest component at 6 million cases. Others were Bartlett pears, 1.6 million cases; mixed fruit, 1.4 million; apricots, 0.6 million; and apples, 0.1 million cases. The United Kingdom is the major market for all items.

GENERAL

Iran's GNP Rises, But Farm Share of Economy Drops

Led by its oil industry, Iran's gross national product (GNP) expanded at annual rates of 10 percent from 1968-69 through 1970-71, over 14 percent in 1971-72, and nearly 15 percent in 1972-73, according to a report issued recently by the U.S. Department of Agriculture.

The agricultural share of the economy continues to diminish, and now accounts for less than one-seventh of the GNP against one-fourth in the mid-1960's. However, agriculture remains Iran's top employer. The farm production growth rate was 4 percent annually for the 5 years which ended March 20, 1973, trailing targeted goals. Iran plans to give added attention to agricultural development, especially in

wheat. About four-fifths of the cropland is planted to wheat, barley, and rice.

Total exports in Iranian year (March 21 to March 20) 1971-72 amounted to around $2.7 billion, with $2.3 billion in oil and about $170 million in agricultural products. Total imports were worth $2.1 billion, including about $246 million in agricultural products. In calendar 1972, U.S. agricultual exports to Iran totaled $76 million including $36 million worth of wheat, $16 million of rice, $12.9 million in vegetable oil (including $8.2 million in soybean oil), $3.7 million in inedible tallow, and corn valued at $1.6 million.

U.S. Farm Exports to the Far East And Oceania To Rise Further

U.S. farm exports to the Far East and Oceania region shoud expand in 1974, although less rapidly than in 1973, and exports to Japan may remain at about the 1973 level, according to a report released by the U.S. Department of Agriculture (USDA).

In its annual review and outlook report on agriculture in the Far East and Oceania, USDA's Economic Research Service notes that receipts of U.S. farm goods by these regions rose 87 percent to $5.5 billion in 1973. The gain is attributed primarily to substantially higher prices and to some increase in volume exported.

Agricultural output of countries in the region advanced about 7 percent in 1973, mainly reflecting better rice crops. Output per capita gained less noticeably, however, and there were declines in Japan, Khmer Republic, South Korea, New Zealand, Sri Lanka, and South Vietnam. Barring unfavorable weather, the region should boost its agricultural output again in 1974, even though a fertilizer shortage could lower anticipated gains.

Japan continued to be the major U.S. Far East market for farm products, taking over half of total U.S. agricultural exports to the region in 1973. Important U.S. exports to Japan included soybeans, corn, and wheat. Other large markets for U.S. farm products were South Korea ($635 million), Taiwan ($406 million), India ($331 million), Indonesia ($188 million), South Vietnam ($151 million), and Hong Kong ($147 million).

U.K. Meat Use Down in 1973; Dairy Product Consumption Up

The United Kingdom experienced a sharp rise in total spending on food, particularly in the fourth quarter of 1973, reflecting higher prices, according to the U.K. Ministry of Agriculture. In 1973 as a whole, household food spending rose from 1972 by almost 14 percent.

One of the most noticeable features for 1973 was a decline in consumption of almost all meat items except poultry. Household food consumption of beef and veal in 1973 amounted to only 6.31 ounces per person per week, 8.5 percent below 1972. Expenditure on beef and veal went up, by 18.5 percent.

Consumption of mutton and lamb fell in 1973 by 10.5 percent to 4.44 ounces per head per week, while expenditure on this item rose by 15.5 percent. Consumption of pork and bacon were down by 3 percent and 5 percent, respectively, although expenditure on pork was up by 23 percent and on bacon by 27 percent. Poultry consumption rose 37 percent.

The relative stability of dairy product prices—with some help from subsidies in 1973—is reflected in increased consumption in this sector. Consumption of liquid milk went up by 3 percent to 4.75 pints per head per week. Cheese consumption rose by 6 percent to 3.75 ounces per head per week with expenditure up by 11 percent. Butter consumption increased by 9.5 percent to 5.24 ounces per head per week.

On the other hand, margarine consumption fell by 14 percent to only 3.03 ounces per head per week with a drop of 10.5 percent in spending. Despite last year's very sharp increase in egg prices, consumption was affected very little and fell by only 4 percent to 4.23 eggs per person per week.

PRC Expands Aid to Zaire

On April 10, 1974 the Governments of Zaire and the People's Republic of China (PRC) signed four new agreements in the areas of agriculture, medicine, shipping, and banking, as part of the increasing level of PRC aid to Zaire.

In December 1973 the PRC shipped 14,000 tons of rice to Zaire as part of a 2-year agreement to supply 50,000 tons financed by a long-term soft loan. Already the PRC has an extensive program to develop Zaire's rice production, and is now considering the construction of a sugar factory and an agricultural tool factory in that country.

In January representatives of the Zairean General Foodstuffs Company visited the PRC, seeking Chinese foods and consumer goods to import at competitive prices. The PRC early this year provided Zaire with a 700-ton shipment of fertilier, insecticides, cement, and farm machinery.

U.S. Livestock and Feed Interest Trade at Verona Fair

U.S. livestock and feedstuffs were featured at the 1974 Verona International Agricultural and Livestock Fair, held March 17-24. Over the next 12 months, U.S. sales stemming from the Fair are expected to total $1.6 million.

A focal point of some 750 trade agents, the U.S. Pavilion included an animal barn—featuring Holstein-Friesian, Brown Swiss, Hereford-Piemontese, and Angus-Piemontese breeds—an exhibit area, and a trade lounge. This is the tenth year for U.S. participation at the Fair.

Among U.S. cooperators and firms participating at this prime Italian fair were: The National Association of Animal Breeders, Holstein Friesian Association of America, Brown Swiss Breeders Association, U.S. Feed Grains Council, National Renderers Association, and Ferry Morse Seed Company.

Of all the European agricultural fairs, Verona is second only to that of Paris in size and sales. Exhibitors this year numbered over 4,000. Because the Fair ran only 6 days instead of the usual 8, total attendance was somewhat lower than normal.

Other Foreign Agriculture Publications

- The Marketing Situation for Winter Citrus in Europe (FCF 1-74)
- March Exports of Raw Cotton Highest Monthly Total Since 1960-61 (FC 9-74)
- Middle East Wheat Prospects Improve, But Imports May Remain High (FG 11-74)

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EC AGREES TO LIMIT POULTRY MEAT PRODUCTION

Continued from page 5

der closings and a requirement that importers largely offset beef imports by exporting beef from intervention stocks. A shortage of cold storage space has been reported for both poultry and beef, particularly in Denmark.

In early 1974, despite weakening prices for broilers and continuing high costs, broiler production continued ahead of 1973 in most EC countries. In Denmark, for example, slaughter to mid-April was 15 percent larger than to the same date in the year before. West Germany was a notable exception to this upward trend in broiler production in early 1974.

For the second half of 1974, however, broiler output is expected to decline by as much as 5 percent, if producer groups of various EC countries are effective in enforcing the cutbacks.

The net result will probably be that 1974 EC broiler production will possibly decline by about 2.5 percent, compared with a year earlier. Broilers comprise over 60 percent of the European poultry meat output.

The next largest segment of EC poultry meat production is turkey. Turkeys seem less affected than broilers by the present price weakness, despite the fact that early-1974 slaughter still reflected the increase of 35 percent in August-January (1973-74) poult placements in six countries. In 1974, turkey production is likely to rise moderately from the 1973 level, possibly by as much as 5 percent.

Slaughter of nonbroiler chickens is mostly a byproduct of egg production. Large egg production flocks in Europe, and the possibility of some flock reduction as a reaction to somewhat unsatisfactory egg prices, suggest that supplies of this category of bird—soup hens—will be sustained at or above the 1973 level.

ITALY'S NEW RULE AFFECTS SOME U.S. IMPORTS

U.S. exports to Italy of about $20 million (1973 value) worth of farm products are now affected by Italy's recent requirement for prior import deposits. But bulk commodities, which account for about 85 percent of U.S.5 agricultural exports to Italy and which were valued in 1973 at $674 million, are not subject to the new rule.

The U.S. products chiefly affected by the Italian deposit requirement, and the 1973 Italian import values, are dried fruit, including prunes and almonds, $7 million; furs, $6 million; dried beans, peas, and lentils, $3 million; poultry meat, $600,000; flowers, $500,000; cattle and other live animals, $500,000; grapefruit and grapefruit juice, $400,000; canned fruit and other juices, $200,000. Other products are also affected.

The import requirement is a result of Italy's balance-of-payments problems and mounting inflation. As of May 7, importers are required to deposit in the Bank of Italy for 6 months, without interest, sums equal to 50 percent of the value of the imported items. All imports from all sources—including European Community countries—are subject to the measure.

Raw materials, energy products, and most capital goods are exempt from the new rule.

The Italian Government expects the requirement to curtail imports by raising their cost while reducing funds available to importers. In addition, Italian banks previously authorized to guarantee foreign loans to finance imports now are prohibited from making such guarantees. Unless exemption is granted, they may not back foreign loans for imports or for the amounts of the import deposits.

The EC Commission is working with the Government of Italy on ways to reduce the impact of these measures—in particular on farm products traded between Italy and other EC member countries.

☆ U. S. GOVERNMENT PRINTING OFFICE : 1974 541-568/47